EXHIBIT 18

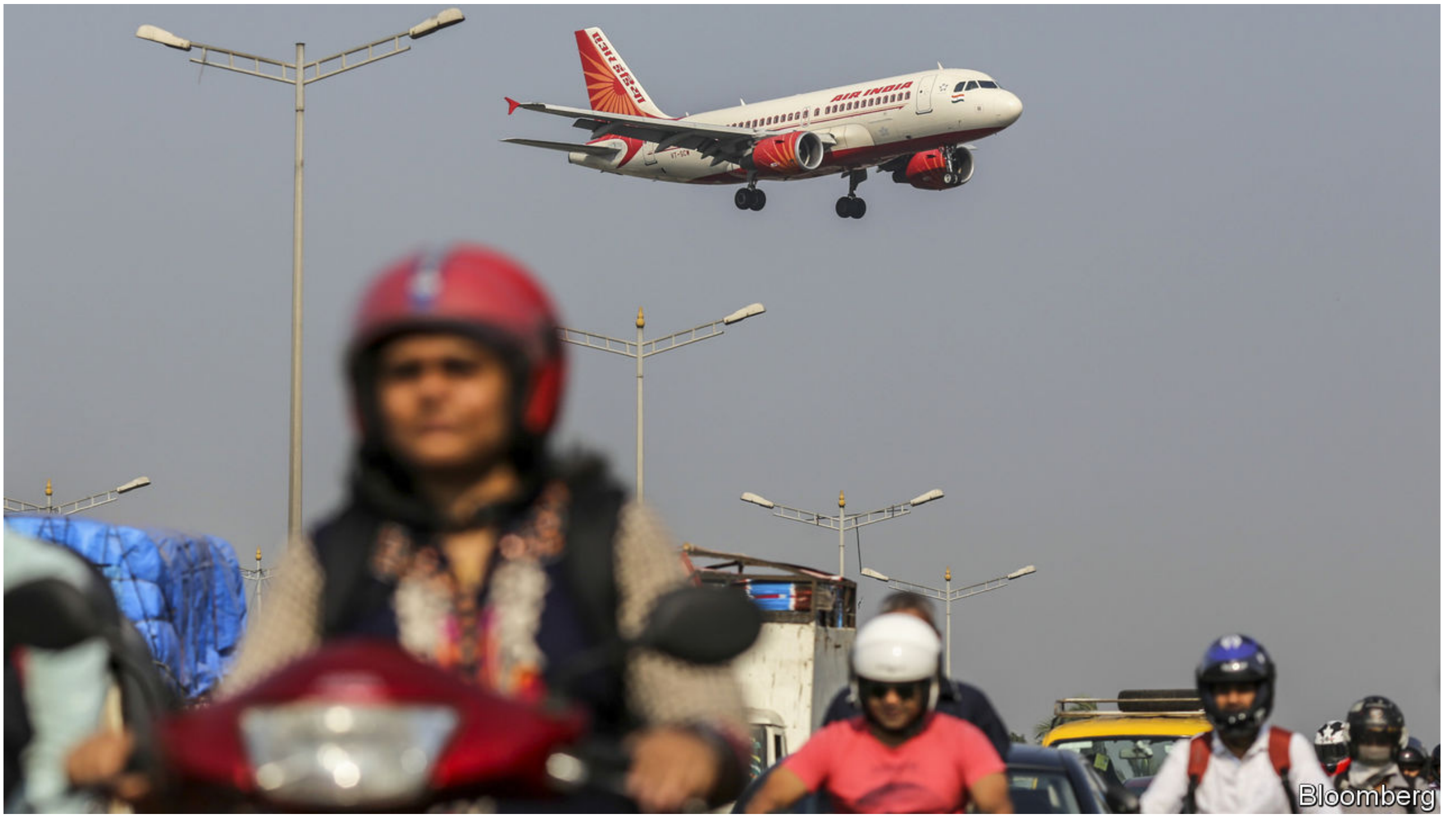
Business

Jun 9th 2018 edition

Grounded

Plans to privatise India's flag-carrier have run into turbulence

The government expected a bidding war but received no offers



Jun 9th 2018

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AFTER a plane crash, air-safety investigators are dispatched to the wreckage site to find out what went wrong and ensure it never happens again. Their financial counterparts have a similar job to do with the Indian government's proposed sale of Air India. Mooted for nearly a year, the first round of preliminary bids ended on May 31st having attracted not a single offer.

Bureaucrats running the divestment process had expected many suitors. Domestic aviation is booming. Air India has a modern fleet, an enviable brand and valuable landing rights in many foreign airports. No fewer than 160 queries had come in from interested parties, said to include local and foreign airlines as well as Tata, a conglomerate. Might a bidding war ensue, some wondered?

Not quite. Bidders were seemingly never as keen as government leaks to the media suggested. For one, Air India came saddled with unwanted cargo in the form of 334bn rupees ($5bn) of debt. And a potential buyer would also be expected to fund the airline's ongoing losses, of around 50bn rupees a year.

The financial performance hints at an airline that has seen better days. From a position of monopoly until 1994, Air India now has just 12% of the domestic market and falling. Lower-cost rivals offer vastly better service. Truculent unions—which cheered the failed sale—mean even the most hard-nosed buyer would have a hard time carrying out the restructuring the authorities admit is necessary.

Officials blamed a lack of private-sector animal spirits for the bidding no-show. Yet even the most bullish bosses had reason to stay clear. Suspicions ran high that the government would keep meddling after the sale to stop job losses ahead of next spring's general election. Its plan to keep a 24% stake in Air India, and presumably board seats, spooked people further. An edict preventing any suitor from integrating Air India into its existing operations was greeted with bemusement.

Narendra Modi, India's prime minister, proclaimed while campaigning for the job in 2014 that "government has no business to be in business." Four years on, only one of over 200 state-owned enterprises has been sold—to another state-owned enterprise. Even those nationalised firms with outside minority shareholders are treated as government departments. ONGC, an oil group, for example, may be lined up to sell fuel below cost, in effect paying for a state subsidy out of its own pocket.

The failed Air India sale means the Indian government will probably have to rekindle a recurring bail-out that has cost it over 260bn rupees over the past seven years. Talk now is of government carrying out a restructuring and putting

seven years. Talk now is of government carrying out a restructuring and putting the airline back up for sale in a year or two. That assumes the cast of bureaucrats that have run the carrier poorly develop a sudden knack for management. Just about anybody would likely do a better job—if only someone would place a bid.

This article appeared in the Business section of the print edition under the headline "Grounded"

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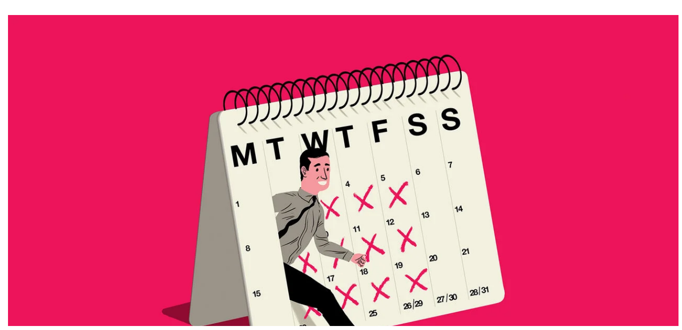


Paul Blow